COSCO SHIPPING ENERGY TRANSPORTATION CO., LTD.*
中遠海運能源運輸股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1138)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenues of the Group increased by approximately 13% to approximately RMB13,721 million
- Profit for the year attributable to equity holders of the Company was approximately RMB414 million
- The basic and diluted earnings per share for 2019 were RMB10.26 cents

The board (the "**Board**") of directors (the "**Directors**") of COSCO SHIPPING Energy Transportation Co., Ltd.(the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	**2019** *RMB'000*	2018 *RMB'000*
Revenues	*4*	**13,721,140**	12,099,685
Operating costs		**(11,125,022)**	(10,304,074)
Gross profit		**2,596,118**	1,795,611
Other income and net gains	*5*	**146,480**	221,919
Marketing expenses		**(49,296)**	(22,805)
Administrative expenses		**(876,990)**	(748,155)
Net impairment losses on financial and contract assets		**(3,208)**	(22,183)
Other expenses		**(106,381)**	(31,761)
Share of profits of associates		**287,807**	276,245
Share of profits of joint ventures		**427,085**	231,906
Finance costs	*6*	**(1,419,627)**	(1,287,714)
Profit before tax		**1,001,988**	413,063
Income tax expense	*7*	**(330,384)**	(119,657)
Profit for the year		**671,604**	293,406
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss, net of tax:			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		**96,092**	(30,622)
Remeasurement of defined benefit plan payable		**2,980**	(11,630)
Items that may be reclassified to profit or loss, net of tax:			
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates		**147,039**	343,201
Net (loss)/gain on cash flow hedges		**(320,272)**	33,929
Hedging gain reclassified to profit or loss		**50,517**	56,139
Share of other comprehensive loss of associates		**(17,529)**	(2,553)
Share of other comprehensive (loss)/income of joint ventures		**(107,171)**	76,449
Remeasurement of investment properties		**4,558**	–
Other comprehensive (loss)/income for the year		**(143,786)**	464,913
Total comprehensive income for the year		**527,818**	758,319

	Note	2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**413,857**	74,679
Non-controlling interests		**257,747**	218,727
Profit for the year		**671,604**	293,406
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**386,391**	505,429
Non-controlling interests		**141,427**	252,890
		527,818	758,319
		RMB cents	*RMB cents*
Earnings per share	*9*		
– Basic and diluted		**10.26**	1.85

Details of the dividends for the Reporting Period are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Investment properties		**50,714**	21,286
Property, plant and equipment		**49,160,894**	49,330,845
Prepaid land lease payments	3	**–**	74,842
Right-of-use assets	3	**2,414,753**	–
Goodwill		**73,325**	73,325
Investments in associates		**2,355,055**	2,363,511
Investments in joint ventures		**3,186,957**	2,844,733
Loan receivables		**1,230,929**	1,447,227
Financial assets at fair value through other comprehensive income		**396,439**	268,278
Deferred tax assets		**45,165**	47,568
		58,914,231	56,471,615
CURRENT ASSETS			
Current portion of loan receivables		**27,786**	13,137
Inventories		**774,260**	926,847
Contract assets		**469,614**	1,057,468
Trade and bills receivables		**937,682**	752,110
Prepayments, deposits and other receivables		**797,927**	722,721
Taxes recoverable		**–**	3,587
Pledged bank deposits		**861**	858
Cash and cash equivalents		**3,919,500**	3,467,924
		6,927,630	6,944,652
TOTAL ASSETS		**65,841,861**	63,416,267
NON-CURRENT LIABILITIES			
Provision and other liabilities		**25,297**	15,320
Derivative financial instruments		**631,235**	352,382
Interest-bearing bank and other borrowings		**17,325,526**	18,786,375
Other loans		**1,089,247**	1,109,592
Bonds payable		**2,493,477**	2,491,252
Employee benefits payable		**187,499**	141,750
Lease liabilities	3	**2,145,306**	–
Deferred tax liabilities		**428,476**	365,822
		24,326,063	23,262,493

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
CURRENT LIABILITIES			
Trade and bills payables		**1,922,313**	1,454,436
Contract liabilities		**28,704**	59,528
Other payables and accruals		**1,060,783**	731,296
Current portion of interest-bearing bank and other borrowings		**8,554,842**	7,036,564
Current portion of other loans		**43,443**	67,493
Current portion of bonds payable		**–**	1,498,439
Current portion of employee benefits payable		**15,975**	11,890
Current portion of lease liabilities	*3*	**586,728**	–
Taxes payable		**135,404**	21,930
		12,348,192	10,881,576
TOTAL LIABILITIES		**36,674,255**	34,144,069
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**4,032,033**	4,032,033
Reserves		**24,092,702**	24,159,587
		28,124,735	28,191,620
Non-controlling interests		**1,042,871**	1,080,578
TOTAL EQUITY		**29,167,606**	29,272,198

Notes:

1. CORPORATE INFORMATION

COSCO SHIPPING Energy Transportation Co., Ltd. is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office of the Company is Room A-1015, No.188 Ye Sheng Road, China (Shanghai) Pilot Free Trade Zone, the PRC and the principal place of business is 670 Dongdaming Road, Hongkou District, Shanghai, the PRC.

During the Reporting Period, the Company and its subsidiaries were involved in the following principal activities:

(a) investment holding; and/or

(b) oil shipment along the PRC coast and international shipment; and/or

(c) vessel chartering; and/or

(d) liquefied natural gas ("**LNG**") shipping and liquefied petroleum gas ("**LPG**") shipping.

The Board regard China COSCO SHIPPING Corporation Limited ("**COSCO Shipping**"), a state-owned enterprise established in the PRC, as being the Company's parent company. The Board regard China Shipping Group Company Limited, a state-owned enterprise established in the PRC, as the immediate parent company.

The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Shanghai Stock Exchange respectively.

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company, and all values are rounded to the nearest thousand except where otherwise indicated.

These consolidated financial statements were approved for issue by the Board on 30 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

These consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except that the following assets and liabilities are measured at fair values, as explained in the accounting policies set out below:

– investment properties;

– certain equity investments that are measured at fair value/financial assets at fair value through other comprehensive income ("**FVOCI**"); and

– derivative financial instruments.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of consolidated financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the Reporting Period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019

Annual Improvements 2015-2017

HKAS 12 Amendment	Income Taxes	1 January 2019
HKAS 23 Amendment	Borrowing Costs	1 January 2019
HKFRS 3 Amendment	Business Combination	1 January 2019
HKFRS 11 Amendment	Joint Arrangements	1 January 2019

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3(b) below.

(b) Adjustments recognized on adoption of HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 3.00% to 4.75% per annum.

(i) ***Measurement of lease liabilities***

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,777,583
Less:	
Short-term leases recognized on a straight-line basis as expense	(92,561)
	3,685,022
Discounted using the lessee's incremental borrowing rate of at the date of initial application, lease liabilities recognized as at 1 January 2019	3,161,967
Lease liabilities recognized as at 1 January 2019	**3,161,967**
Of which are:	
Current lease liabilities	518,849
Non-current lease liabilities	2,643,118
	3,161,967

(ii) ***Measurement of right-of-use assets***

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	31 December 2019 RMB'000	1 January 2019 *RMB'000*
Vessels	**2,329,921**	2,696,015
Prepaid land lease payments	**72,463**	74,842
Properties	**12,316**	14,099
Motor vehicles	**53**	–
Total right-of-use assets	**2,414,753**	2,784,956

(iii) Adjustments recognized in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB2,784,956,000
- prepaid land lease payments – decrease by RMB74,842,000
- deferred tax assets – increase by RMB67,405,000
- lease liabilities (current portion) – increase by RMB518,849,000
- lease liabilities (non-current portion) – increase by RMB2,643,118,000

The net impact on retained earnings and non-controlling interests on 1 January 2019 were decreased by RMB384,188,000 and RMB260,000 respectively.

(iv) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating lease as a result of the adoption of HKFRS 16.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. REVENUE AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's business segments are categorized as follows:

(i) oil shipment

- oil shipment
- vessel chartering

(ii) others

- others mainly include LNG shipping and LPG shipping

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of other business segments.

Business segments

An analysis of the Group's revenues and contribution to profit from operating activities by principal activity and geographical area of operations for the Reporting Period is set out as follows:

	For the year ended 31 December			
	2019		2018	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By principal activity:				
Oil shipment				
– Oil shipment	**11,223,943**	**1,721,032**	9,999,527	1,016,539
– Vessel chartering	**1,078,204**	**130,271**	788,766	77,164
	12,302,147	**1,851,303**	10,788,293	1,093,703
Others	**1,418,993**	**744,815**	1,311,392	701,908
	13,721,140	**2,596,118**	12,099,685	1,795,611
Other income and net gains		**146,480**		221,919
Marketing expenses		**(49,296)**		(22,805)
Administrative expenses		**(876,990)**		(748,155)
Net impairment losses on financial and contract assets		**(3,208)**		(22,183)
Other expenses		**(106,381)**		(31,761)
Share of profits of associates		**287,807**		276,245
Share of profits of joint ventures		**427,085**		231,906
Finance costs		**(1,419,627)**		(1,287,714)
Profit before tax		**1,001,988**		413,063

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Total segment assets		
Oil shipment	**54,738,420**	53,509,797
Others	**11,103,441**	9,906,470
	65,841,861	63,416,267
Total segment liabilities		
Oil shipment	**27,206,955**	23,784,623
Others	**9,467,300**	10,359,446
	36,674,255	34,144,069

Segment contribution represents the gross profit incurred by each segment without allocation of central administration costs (including emoluments of directors, supervisors and senior management), marketing expenses, other expenses, share of profits of associates, share of profits of joint ventures, other income and net gains and finance costs. This is the measure reported to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

As at 31 December 2019, the total net carrying amount of the Group's oil tankers, LNG vessels and LPG vessels were RMB36,964,619,000 (31 December 2018: RMB37,816,410,000), RMB9,159,126,000 (31 December 2018: RMB9,326,902,000) and RMB106,173,000 (31 December 2018: RMB111,933,000) respectively.

Geographical segments

	For the year ended 31 December			
	2019		2018	
	Revenues	**Contribution**	Revenues	Contribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
By geographical area:				
Domestic	**5,033,071**	**1,255,558**	4,201,183	1,131,956
International	**8,688,069**	**1,340,560**	7,898,502	663,655
	13,721,140	**2,596,118**	12,099,685	1,795,611
Other income and net gains		**146,480**		221,919
Marketing expenses		**(49,296)**		(22,805)
Administrative expenses		**(876,990)**		(748,155)
Net impairment losses on financial and contract assets		**(3,208)**		(22,183)
Other expenses		**(106,381)**		(31,761)
Share of profits of associates		**287,807**		276,245
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Finance costs		**(1,419,627)**		(1,287,714)
Profit before tax		**1,001,988**		413,063

During the years ended 31 December 2019 and 2018, total segment revenue represents total consolidated revenue as there were no inter-segment transactions between the business segments.

Other information

	Oil shipment	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Additions to non-current assets	1,778,510	2,531	1,781,041
Depreciation and amortization	2,559,236	314,304	2,873,540
Losses on disposal of property, plant and equipment, net	(902)	–	(902)
Interest income	77,027	26,755	103,782
Year ended 31 December 2018			
Additions to non-current assets	3,530,996	29,780	3,560,776
Depreciation and amortization	2,132,062	51,051	2,183,113
Losses on disposal of property, plant and equipment, net	–	(73)	(73)
Interest income	42,372	66,532	108,904

The principal assets employed by the Group are located in the PRC and, accordingly, no geographical segment analysis of assets and expenditures has been prepared for the years ended 31 December 2019 and 2018.

5. OTHER INCOME AND NET GAINS

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other income		
Government subsidies *(note)*	**66,414**	65,043
Interest income from loan receivables	**68,654**	28,579
Bank interest income	**35,128**	80,325
Dividends received from financial assets at FVOCI	**10,850**	8,701
Rental income from investment properties	**5,509**	14,300
Others	**(46,889)**	32,421
	139,666	229,369
Other gains/(losses)		
(Losses)/gains on revaluation of investment properties, net	**(122)**	632
Exchange gains/(losses), net	**6,623**	(8,670)
Losses on disposal of property, plant and equipment, net	**(902)**	(73)
Others	**1,215**	661
	6,814	(7,450)
	146,480	221,919

Note: The government subsidies mainly represent the subsidies granted for business development purpose and refund of tax. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Total finance costs		
Interest expenses on:		
– bank loans and other loans and borrowings	**1,109,136**	1,042,093
– corporate bonds	**193,469**	206,464
– interest rate swaps: cash flow hedges, reclassified from other comprehensive income	**50,517**	56,139
– lease liabilities	**118,019**	–
– exchange (gain)/loss, net	**(51,514)**	22,799
	1,419,627	1,327,495
Less: interest capitalized	**–**	(39,781)
	1,419,627	1,287,714

During the Reporting Period, no interest expense is capitalized (for the year ended 31 December 2018: the capitalization rate applied to funds borrowed and utilized for the vessels under construction was at a rate of 3.23% to 4.27% per annum).

7. INCOME TAX EXPENSE

	Note	For the year ended 31 December 2019 *RMB'000*	2018 *RMB'000*
Current income tax			
PRC	**(i)**		
– provision for the year		**229,954**	102,201
– adjustments for current tax of prior periods		**(544)**	(221)
Hong Kong			
– provision for the year		**944**	782
– adjustments for current tax of prior periods		**609**	28
Other districts	**(ii)**		
– provision for the year		**515**	296
		231,478	103,086
Deferred tax		**98,906**	16,571
Total income tax expense		**330,384**	119,657

Note:

(i) PRC Corporate Income Tax

Under the Law of the PRC on Corporate Income Tax Law (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate of the entities within the Group established in the PRC is 25% (2018: 25%) except for those entities with tax concession.

(ii) Taxes or profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the entities within the Group operate.

8. DIVIDENDS

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Final dividend for 2018 – RMB0.02 (2018: Final dividend for 2017 – RMB0.05) per share	**80,641**	201,602

Final dividend of RMB0.02 per share in respect of the year ended 31 December 2018 was approved by shareholders at the annual general meeting held on 10 June 2019 and a total amount of RMB80,641,000 was paid during the Reporting Period.

At the Board meeting held on 30 March 2020, the Directors proposed a final dividend of RMB190,508,000 representing RMB0.04 per share, in respect of the year ended 31 December 2019. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed, and has not been recognized as a liability at the end of the Reporting Period.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to equity holders of the Company of RMB413,857,000 (for the year ended 31 December 2018: Profit of RMB74,679,000) and the weighted average number of ordinary shares of 4,032,033,000 (for the year ended 31 December 2018: 4,032,033,000) shares in issue during Reporting Period.

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2019, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2019.

10. EVENTS AFTER THE BALANCE SHEET DATE

On 31 January 2020, the Office of Foreign Assets Control of the US Department of the Treasury removed COSCO SHIPPING Tanker (Dalian) Co., Ltd., a direct wholly-owned subsidiary of the Group, from the Specially Designated Nationals and Blocked Persons List, according to a notice posted on the Treasury Department's website.

On 17 March 2020, the Company completed the non-public issuance of A shares and registered such new shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the non-public issuance of A shares, the total number of Shares increased from 4,032,032,861 Shares to 4,762,691,885 Shares, and the total number of A shares increased from 2,736,032,861 Shares to 3,466,691,885 Shares.

After the outbreak of Coronavirus Disease ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 outbreak, the Group will pay close attention to the development of the COVID-19 outbreak and evaluate the impact on its future financial position and operating results. As at the date on which the consolidated financial statements were authorized for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 outbreak.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. The main businesses, operating model of the Company and conditions of the industry during the Reporting Period

The Group is mainly engaged in international and domestic coastal shipping of crude and product oil, international LNG transportation and international chemical transportation.

In terms of fleet size, the Group is the world's largest oil tanker owner. As of 31 December 2019, the Group owned and controlled 151 oil tankers with a total capacity of 21.71 million Dead Weight Tonnage ("**DWT**"), including 142 self-owned oil tankers with a capacity of 19.25 million DWT, 9 chartered-in oil tankers with a capacity of 2.46 million DWT and 17 oil tankers with a capacity of 3.04 million DWT in order block. The Group is also a leading player in the coastal crude oil and product oil transportation industry in the PRC. In the coastal crude oil transportation sector, the Group has maintained its position as an industry leader and a market share of over 55%. After completing of the acquisition of product oil tanker fleet of PetroChina in March 2018, the Group has become a flagship in the coastal product oil transportation market.

The Group's tanker operation model mainly includes spot market chartering, time chartering, signing contracts of affreightment ("**COA**") with cargo owners, entering associated operating entities ("**POOL**") and other various ways using its self-owned and controlled vessels. The Group stands out globally with its complete types of vessels, which allows the integration of domestic and international voyages by employing crude and product tankers across different sizes. The Company gives full play to the advantages of its vessel types and shipping route networks to provide customers with whole-process logistics solution involving materials import in international market, transshipping and lightering in domestic trade, product oil transport and export and downstream chemicals transportation, etc., to provide customers with means to reduce costs and therefore realize win-win cooperation.

The international tanker industry emerged from the oil trade as a result of the different geographical distribution of major oil producing and consuming areas. Seaborne shipping is the most efficient and cost-effective way to transport the greatest volume of petroleum. The international oil tanker transportation industry has three characteristics. Firstly, direction of cargo flow is relatively homogenous with fixed layout of routes. Compared with other water transport services, oil shipping tends to involve a high proportion of one-way ballast voyages and low utilization of load capacity. This pattern is more obvious in crude oil shipping than product oil shipping and in large oil tankers than small and medium oil tankers. Secondly, the risk of safety issues and oil pollution is greater, and major oil companies have special inspection mechanisms. More than 80% of the tanker terminals and 85-90% of the oil products in the world are in the hands of major oil companies. The oil tanker companies engaged in international business may not provide transportation services to these oil companies unless they pass the inspection of the vessel management conditions by oil giants. Therefore, vessel management expertise is one of the core competitiveness of international oil tanker companies. Thirdly, tanker freight rates are more closely impacted by international political and economic factors and are thus highly volatile. The reason lies in the high correlation between the transported goods-oil and the international politics and economy. In the past two decades, TD3 (Middle East-Far East) route for very large crude carrier ("**VLCC**") recorded the lowest daily Time Charter Equivalent ("**TCE**") of USD12,800/day in 2011, and recorded the highest daily TCE of USD105,000/day in 2008, with a difference of more than 7 times.

In China's coastal oil tanker transportation sector, in order to ensure security of national energy transportation and safety of coastal marine environment, China's current practice of transporting dangerous goods in bulk liquids along the coast is based on the idea of total quantity regulation and preferred selection. Compared with international oil transportation market, the supply of and demand for transportation capacity in the coastal oil transportation market are relatively balanced, characterised by a relatively stable market size and freight rates.

The Group is a leader in China's LNG shipping business and an important participant in the world's LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. ("**Shanghai LNG**"), which is a wholly-owned subsidiary of the Group, and China LNG Shipping (Holdings) Limited ("**CLNG**"), in which the Group holds 50% equity, are currently the only two large-scale LNG shipping companies in China. As of 31 December 2019, the Group had a total of 38 jointly-invested LNG vessels, including 35 LNG vessels in operation with aggregate capacity of 5,900,000 cubic meters and 3 LNG vessels under construction with aggregate capacity of 522,000 cubic meters.

LNG is the abbreviation of Liquefied Natural Gas, which is formed by liquefaction of natural gas at an ultralow temperature (-163°C), and its volume is 1/625 of natural gas with the same mass. LNG can greatly save storage and transportation space. The LNG industrial chain involves massive funding and intensive technologies covering the entire supply chain of the natural gas industry. The natural gas extracted from onshore or offshore oil fields is pretreated and liquefied at liquefaction facilities. The LNG produced is transported by sea or by other means to the LNG receiving terminals for storage according to the trade contracts, and is then regasified and delivered to end users through pipelines. Currently, seaborne LNG transportation volume accounts for more than 80% of the world's LNG volume transported. The characteristics of the LNG transportation industry are as follows. Firstly, the LNG carriers have been recognized internationally as "three high" products with high technology, high difficulty and high value added, and are thus expensive. LNG transportation has higher requirements for ship management; therefore, the LNG shipping market is highly concentrated. Secondly, due to the closed loop of the LNG industrial chain, the majority of vessels among the global LNG fleet are bound to particular LNG projects (referred to as "project vessels"), the most of which involve long-term time charters with the project parties so that charter incomes and investment yields are often stable.

All of the 38 LNG carriers the Group currently invests in are project vessels, which means that they are all bound to particular LNG projects with long-term time charters signed with project parties, and hence generate stable income. In recent years, as the LNG carriers, of which the Group is involved in investment and construction, are put into operation, the Group's LNG transportation business has accelerated into the harvest period.

In the overall business structure of the Group, profitability of coastal (domestic trade) oil transportation business and LNG transportation business is generally stable, providing a "safety cushion" for the Group's operating results; and the international (foreign trade) oil transportation business is subject to large volatility following market freight rates, resulting in the cyclical elasticity in the Group's operating results.

2. Analysis of the international and domestic shipping market during the Reporting Period

(1) International oil shipping market

In 2019, global oil demand reached 100.15 million barrels per day, an increase of 850,000 barrels per day compared to 2018. Although the Organization of the Petroleum Exporting Countries ("**OPEC**") continued to execute the production cut agreement and the tension in the Middle East caused short-term disruption to some crude oil supply, the growth of US crude oil export was in line with expectation. In 2019, the average daily export volume of crude oil from the US was 2.97 million barrels per day, representing an increase of 1.01 million barrels per day or 51.6% as compared to 2018. The export volume to Asia increased significantly. Despite the mostly halted energy trade between China and the US, the export volume from the US to Japan and South Korea increased significantly, and the long-haul voyages boosted the tonne-nautical demand of tankers. In terms of tanker supply, due to the rapid rebound of market sentiment in 2019, the market saw active deliveries and rare demolition as older vessels were profitable; during the year 71 VLCCs were delivered, with approximately 21.17 million DWT and only 4 were demolished, with approximately 1.10 million DWT. In response to the sulfur limit effective from the beginning of 2020, about 552 oil tankers went through drydocking for scrubber installation during the year, which temporarily reduced the effective tanker supply and slowed down the supply growth to a certain extent. The international oil shipping market was greatly affected by geopolitical and economic events in 2019 with sharp fluctuations in freight rates. In 2019, the average TCE of the VLCC Middle East-China route ("**TD3C**") was US $39,387 per day, representing a year-on-year increase of 109%, and the TCE of other major routes increased by 77%-199% year-on-year.

(2) Domestic oil shipping market

In 2019, the domestic oil shipping market remained stable in general. The total volume of coastal crude oil shipping market was approximately 73 million tonnes, representing a year-on-year increase of approximately 3.6%, and the demand for coastal shipping of product oil also went up. In respect of offshore crude oil shipping, the decline in the productivity for the some early offshore oil fields, oil companies have been conducting maintenance and optimization of offshore facilities by oil companies in the past two years, resulting in a slight decrease in the production efficiency of offshore crude oil from 2018 to 2019. In 2019, China's refining and petrochemical capacity expanded by over 14 million tons, as more of the refining and petrochemical integration projects move into operation, the volumes of coastal transshipment and transportation of crude and product oil will be well supported.

(3) LNG Shipping Market

In 2019, there were 128 liquefaction trains in 20 LNG exporting countries, with an annual liquefaction capacity of 432 million tons. The global LNG trade volume reached 350 million tons, representing an increase of 11.3% as compared to 2018. Major exporting countries include Australia, Qatar, the United States and Russia, while Asia remains the major importer. However, due to the moderate winter temperature in 2019, LNG demand from countries such as China, Japan and South Korea fell short of expectation, so that LNG prices and spot freight rates were subdued. While time charter rates of long-term transportation contracts were mostly immune from market fluctuations. A total of 34 LNG carriers were delivered and put into operation in 2019. As at the end of 2019, the global LNG fleet reached 557, amounting to approximately 84 million cubic meters, an increase of 7.5% as compared to the end of 2018. The average age of vessels was 10.9 years. 87% of the vessels were less than 20 years old. Hence, the global LNG fleet was still distant from a scrapping peak.

3. Review of operating results during the Reporting Period

During the Reporting Period, the Group realized a total transportation volume (excluding time charters) of 150.35 million tons, a decrease of 2.9% year-on-year. The transportation turnover (excluding time charters) was 440.78 billion ton-nautical miles, a decrease of 19.2% year-on-year; the revenues from principal operations was RMB13.721 billion, a year-on-year increase of 13.4%; the cost from principal operations was RMB11.125 billion, a year-on-year increase of 8.0%; gross profit margin increased by 4.1 percentage points year-on-year. The net profit attributable to shareholders of the Company was RMB414 million, representing a year-on-year increase of 454.2%; EBITDA was RMB5,295 million, representing an increase of 36.3% year on year.

In 2019, facing the complex external environment and dramatic fluctuations of the international oil shipping market, the Group mainly focused on the following aspects and achieved hard-earned operating results: firstly, consolidating its core business while exploring new opportunities, strengthening cooperation with major clients and proactively expanding into the international market, through developing new routes and new clients; secondly, carrying out accurate market analysis and optimizing the route layout, so as to improve the proportion of high yield VLCC routes; thirdly, exploring the incremental market demand and deepening the cooperation with private refineries, so as to consolidate the leading position in domestic oil shipping; and fourthly, steadily increasing the size of LNG carrier fleet, which secured stably growing profit for the Group.

(1) Revenue from Principal Operations

In 2019, overall details of the Group's principal operations in terms of cargoes and geographical regions were as follows:

Principal Operations by Products Transported

Industry or Cargo	**Revenues** *(RMB'000)*	**Operating costs** *(RMB'000)*	**Gross profit margin** *(%)*	**Increase/ (decrease) in revenue as compared with 2018** *(%)*	**Increase/ (decrease) in operating costs as compared with 2018** *(%)*	**Increase/ (decrease) in gross profit margin as compared with 2018** *(percentage points)*
Domestic Crude oil	2,552,493	1,741,049	31.8	7.0	12.4	(3.3)
Domestic Refined oil	2,327,929	1,925,114	17.3	37.0	33.8	2.0
Domestic Vessel chartering	109,326	80,145	26.7	1.0	5.7	(3.3)
Domestic Oil Shipping Sub Total	4,989,748	3,746,308	24.9	19.0	22.3	(2.0)
International Crude oil	5,486,574	4,960,676	9.6	5.6	(5.1)	10.1
International Refined oil	856,947	876,072	(2.2)	19.4	13.7	5.2
International Vessel chartering	968,878	867,789	10.4	42.4	36.5	3.9
International Oil Shipping Sub Total	7,312,399	6,704,537	8.3	10.9	1.1	8.9
Oil Shipping Sub Total	12,302,147	10,450,844	15.0	14.0	7.8	4.9
International LNG Shipping	1,321,365	608,843	53.9	11.9	17.3	(2.1)
Domestic LPG Shipping	43,323	31,205	28.0	418.0	407.2	1.5
International LPG Shipping	54,301	34,134	37.1	(42.7)	(42.5)	(0.2)
Others	4	(4)	200.0	(100.0)	(100.0)	192.9
Total	13,721,140	11,125,022	18.9	13.4	8.0	4.1

Principal Operations by Geographical Regions

Regions	**Revenues**	**Operating costs**	**Gross profit margin**	**Increase/ (decrease) in revenue as compared with 2018**	**Increase/ (decrease) in operating costs as compared with 2018**	**Increase/ (decrease) in gross profit margin as compared with 2018**
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(percentage points)*
Domestic shipping	5,033,071	3,777,513	24.9	19.8	23.1	(2.0)
International shipping	8,688,069	7,347,509	15.4	10.0	1.6	7.0
Total	13,721,140	11,125,022	18.9	13.4	8.0	4.1

Self-operated transportation volume and transportation volume turnover

Transportation volume	**2019**	2018	Increase/ (decrease)	**2019**	2018	Increase/ (decrease)
	('000 tons)	*('000 tons)*	*(%)*	***(billion tonne-nautical miles)***	*(billion tonne-nautical miles)*	*(%)*
Domestic Crude oil	**52,975.2**	51,211.9	3.4	**17.04**	15.78	8.0
Domestic Refined oil	**22,439.9**	16,701.7	34.4	**21.02**	15.10	39.2
Domestic Oil Shipping Sub Total	**75,415.2**	67,913.6	11.1	**38.07**	30.88	23.3
International Crude oil	**65,986.1**	78,130.3	(15.5)	**376.13**	486.09	(22.6)
International Refined oil	**8,592.0**	8,473.0	1.4	**26.37**	28.19	(6.5)
International Oil Shipping Sub Total	**74,578.1**	86,603.3	(13.9)	**402.50**	514.27	(21.7)
Oil Shipping Sub Total	**149,993.2**	154,516.9	(2.9)	**440.56**	545.15	(19.2)
LPG Shipping	**356.8**	319.0	11.8	**0.22**	0.22	1.8
Total:	**150,350.0**	154,835.9	(2.9)	**440.79**	545.37	(19.2)

(2) Shipping business – Oil and Gas Shipping

International oil shipment business:

In 2019, the Group seized the recovering trend of the international oil shipping market, recorded international oil shipping revenues of RMB7.312 billion, a year-on-year increase of 10.9%, a shipping gross profit of RMB608 million, a year-on-year increase of 644 million and gross profit margin of 8.3%, a year-on-year increase of 8.9 percentage points.

(1) Accurate market analysis and route layout optimization secured a significant year-on-year improvement in operating revenue. During the Reporting Period, the Group performed in-depth analysis on the international oil shipping market, reasonably arranged the combination of long-haul and short-haul routes in order to enhance the overall profitability of the fleet. In 2019, the operating days of the VLCC fleet in triangular route increased by 10.5% as compared to the same period of last year.

(2) Actively developed the international market and served the world. The Group actively globalized its businesses and cooperated with a number of first-time customers in Europe and the United States, to further internationalize and diversify the customer and business networks. The overseas subsidiaries of the Group achieved remarkable results in business development. In 2019, the UK branch completed 21 shipments in total, of which the cargo volume of routes other than TD3C accounted for approximately 76.2%; the U.S. branch completed 13 shipments in total, among which the cargo volume of long-haul routes such as the triangular routes, the US Gulf/Caribbean-Far East and Brazil-Far East accounted for approximately 69.2%.

(3) Actively responded to the 2020 global sulfur limit by International Maritime Organization and promoted the sustainable development of the industry. Currently, all oil tankers of the Group use low-sulfur fuel to meet the sulfur limit. The Group employed the economies of scale from the centralized procurement COSCO Shipping Group to ensure sufficient supply of low-sulfur fuel, and seized the opportunity of market fluctuation to secure low-sulfur fuel oil at fixed pricing in two batches, which effectively kept the fuel cost in control. In addition, the Group cooperated with Dalian Shipbuilding Industry Company Limited to develop the world's first LNG dual-fuel VLCC in compliance with EEDI PHASE III (phase III of ship energy efficiency design index), exploring sustainable development of business operations and the environment and society.

Domestic oil shipping business:

During the Reporting Period, the Group recorded domestic oil shipping revenue of RMB4.99 billion, a year-on-year increase of 19.0%; shipping gross profit of RMB1.243 billion, a year-on-year increase of 10.1%; and gross profit margin of 24.9%, a year-on-year decrease of 2.0 percentage points.

(1) Expanded into the incremental market and facilitate the large-scale integrated development of refineries. During the Reporting Period, the Group captured the oil transshipping market, developed the bonded fuel business, recruited a number of new domestic customers and achieved a percentage of COA cargo volume in domestic oil shipping of over 90%. During the year, the Group facilitated the opening of Panjin deep-water channel where a large tanker successfully berthed to meet the needs of large-scale and integrated independent refineries and allow key customers to improve logistics efficiency.

(2) Leveraged the advantages of the new structure to enhance the overall efficiency of the fleet. In 2019, the Group redesigned the organizational structure, set up the Tanker Department to operate oil tanker types other than VLCC and Suezmax, closely monitored both the domestic and international trade markets, actively coordinated internal and external resources, and allocated domestic and foreign trade tankers based on the principle of maximizing overall efficiency. In 2019, the Group performed 21 shipments with domestically and internationally connected tanker services, representing a year-on-year increase of 10 shipments.

(3) Realized synergy and built core competitiveness in domestic product oil transportation. In 2019, the Group used COSCO PetroChina SHIPPING as a product oil transportation platform to consolidate its internal product oil transportation resources and strengthen its leading position in this market. The Group integrated resources to increase the shipping volume of larger tankers by more than 5 times. During the Reporting Period, the Group recorded domestic trade product oil transportation income of RMB2.328 billion, representing a year-on-year increase of 37.0%, and COSCO PetroChina SHIPPING recorded a net profit of RMB147.63 million, representing a year-on-year increase of 37.7%.

LNG shipping business

During the Reporting Period, the Group recorded LNG shipping revenue of RMB1.321 billion, a year-on-year increase of 11.9%; shipping gross profit of RMB713 million, a year-on-year increase of 7.7%; and gross profit margin of 53.9%, a year-on-year decrease of 2.1 percentage points, and the investment income from the LNG shipping segment amounted to RMB448 million, representing a year-on-year increase of 83.23%; profit before tax amounted to RMB603 million, representing a year-on-year increase of 47.61%.

(1) The management system was recognized by authorities, and the international competitiveness continued to improve. In June 2019, Shanghai LNG, a subsidiary of the Group, passed the certification of Lloyd's Shipping Register and obtained the first certificate for quality, health, safety and environment (QHSE) management system in China's LNG shipping industry, which was aligned with the three international standards of ISO9001, 14001 and 45001. The accomplishment of the authoritative certification for the management system strengthened the Group's position as a leader in China's LNG shipping business and enhanced the Group's competitiveness in participating in international LNG shipping.

(2) The size of LNG fleet continued to expand with the "secondary development curve" pedalled on pace. In 2019, the Group's LNG shipping business expanded steadily. During the year, a total of 9 vessels with 1.55 million cubic meters in which the Group invested were put into operation. As at the end of 2019, a total of 35 vessels with 5.90 million cubic meters the Group invested in were put into operation. The Group has recognized the transportation of clean energy as the second development curve, and will seize market opportunities, give full play to competitive advantages and promote the development of potential LNG shipping projects.

4. Costs and expenses analysis

In 2019, the Group's cost from principal operations was approximately RMB11.125 billion, with a year-on-year increase of 8.0%:

The cost composition of the Group's principal operations for 2019 is as follows:

Item	2019	2018	Increase/ (decrease)	Composition in 2019
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*
Continuing operations				
Fuel costs	**3,174,443**	3,238,972	(2.0)	28.5
Port costs	**759,942**	761,784	(0.2)	6.8
Sea crew cost	**1,633,565**	1,421,538	14.9	14.7
Lubricants expenses	**258,534**	248,159	4.2	2.3
Depreciation	**2,787,199**	2,129,702	30.9	25.1
Insurance expenses	**176,435**	168,064	5.0	1.6
Repair expenses	**523,634**	305,787	71.2	4.7
Charter cost	**1,214,272**	1,583,991	(23.3)	10.9
Others	**596,999**	446,077	33.8	5.4
Total	**11,125,022**	10,304,074	8.0	100.0

The Group strictly adopted cost control practices and maximized the benefits from the synergy effect of bulk procurement. In 2019 with the international oil shipping market rebound, the Group actively sought cargoes and reasonably raised voyage speeds, which caused a 11.7% year-on-year increase on unit bunker fuel consumption. The Company applied an efficiency optimization model in managing the voyage speeds and achieved the savings of 112.2 thousand tons of bunker fuels. The average purchase prices of international and domestic trade bunker fuels (low-sulfur fuel) of the Group were lower than the average of market quotes by USD16 per ton and RMB205 per ton respectively.

During the Reporting Period, the Group's vessels in drydock increased by over 60% year-on-year. Due to the aging of vessels and the sulfur cap, spare parts replacement and drydocking programs increased and the expenses per drydocking vessel increased accordingly. Facing the rising demand for drydocking, the Group actively communicated with shipyards to strictly control the non-operating period in arranging drydocking schedules, which saved over a hundred days and improved the fleet operating efficiency.

In continuous collaboration with COSCO SHIPPING Group, the Group signed preferential agreements with major domestic ports. While emphasizing navigation safety, the Group strictly controlled port charges by strengthening operational capabilities, such as self-docking and self-berthing, and achieved cost saving and control.

In addition, during the Reporting Period, the Group adopted the new lease accounting standard, so that the right-of-use lease assets (ships) expanded by approximately RMB2.33 billion, giving rise to an increase of RMB519 million in ship depreciation expenses (and an approximate RMB650 million decrease in chartering costs); expansion in tanker and LNG carrier fleet brought up depreciation expenses by approximately RMB130 million year-on-year.

5. Operating results of the joint ventures and the associates

(1) The operating results achieved by the major joint venture of the Group in 2019 are as follows:

Company name	Interest held by the Group	Shipping volume	Operating revenue	Net profit
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
CLNG	50%	54.68	1,214,262	841,838

(2) The operating results achieved by an associate of the Group in 2019 is as follows:

Company name	Interest held by the Group	Shipping volume	Operating revenue	Net profit
		(billion tonne-nautical miles)	*(RMB'000)*	*(RMB'000)*
Shanghai Beihai Shipping Company Limited	40%	14.00	1,517,250	492,042

6. Financial analysis

(1) Net cash generated from operating activities

The net cash generated from operating activities of the Group for the Reporting Period was approximately RMB5,230,362,000, representing an increase of approximately 142.59% as compared to approximately RMB2,156,032,000 for the year ended 31 December 2018.

(2) Capital commitments

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
Authorized and contracted but not provided for:			
Construction and purchases of vessels	*(i)*	**6,156,464**	6,446,633
Project investments	*(ii)*	**–**	179,130
		6,156,464	6,625,763

Note:

(i) According to the construction and purchase agreements entered into by the Group, these capital commitments will fall due in 2020 to 2021.

(ii) Included in capital commitments in respect of project investments are commitments to invest in certain projects held by CLNG.

In addition to the above, the Group's share of the capital commitments of its associates which are contracted but not provided for amounted to RMB246,703,000 (31 December 2018: nil). The Group's share of the capital commitments of its joint ventures, which are contracted but not provided for amounted to RMB1,516,348,000 (31 December 2018: RMB2,565,694,000).

(3) Capital Structure

Management monitors the Group's capital structure on the basis of a net debt-to-equity ratio. For this purpose, the Group defines net debt as total debts which includes interest-bearing bank and other borrowings, other loans and bonds payable less cash and cash equivalents.

The Group's net debt-to-equity ratio as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Total debts	**29,506,535**	30,989,715
Less: cash and cash equivalents	**(3,919,500)**	(3,467,924)
Net debt	**25,587,035**	27,521,791
Total equity	**29,167,606**	29,272,198
Net debt-to-equity ratio	**88%**	94%

As at 31 December 2019, the balance of cash and cash equivalents amounted to RMB3,919,500,000, representing an increase of RMB451,576,000 and by 13% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remainder are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2019, the Group's net gearing ratio (i.e. net debts over total equity) was 88%, which was lower than 94% as at 31 December 2018. The decrease was primarily due to the decrease in borrowings during the Reporting Period.

(4) Trade and bills receivables and contract assets

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade and bills receivables from third parties	**764,870**	606,607
Trade receivables from a joint venture	**132**	–
Trade receivables from fellow subsidiaries	**7,910**	10,077
Trade receivables from related companies (note)	**197,331**	165,588
	970,243	782,272
Less: allowance for doubtful debts	**(32,561)**	(30,162)
	937,682	752,110
Current contract assets relating to oil shipment contracts	**473,262**	1,062,112
Less: allowance	**(3,648)**	(4,644)
Total contract assets	**469,614**	1,057,468

Note: Related companies are entities that the fellow subsidiaries of the Company either have joint control or significant influence.

Trade receivables from fellow subsidiaries and related companies are unsecured, non-interest-bearing and under normal credit year as other trade receivables.

As at 31 December 2019, trade and bills receivable and contract assets of RMB706,628,000 (31 December 2018: RMB1,148,022,000) are denominated in USD.

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 3 months	**619,775**	456,023
4 – 6 months	**124,636**	84,309
7 – 9 months	**68,726**	52,735
10 – 12 months	**47,863**	54,197
1 – 2 years	**63,443**	82,261
Over 2 years	**13,239**	22,585
	937,682	752,110

(5) Trade and bills payables

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade and bills payables to third parties	**1,204,403**	954,860
Trade payables to fellow subsidiaries	**699,865**	468,505
Trade payables to an associate	**5,860**	6,481
Trade payables to related companies *(note)*	**12,185**	24,590
	1,922,313	1,454,436

Note: Related companies are entities the fellow subsidiaries of the Company either have joint control or significant influence.

Trade payables due to fellow subsidiaries, an associate and related companies are unsecured, non-interest-bearing and under normal credit year as other trade payables.

As at 31 December 2019, trade and bills payables of RMB728,198,000 (31 December 2018: RMB193,532,000) are denominated in USD.

An aging analysis of trade and bills payables at the end of the Reporting Period, based on the invoice date, is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 3 months	**1,239,218**	1,042,210
4 – 6 months	**276,028**	107,812
7 – 9 months	**51,804**	29,829
10 – 12 months	**68,396**	41,830
1 – 2 years	**69,741**	223,758
Over 2 years	**217,126**	8,997
	1,922,313	1,454,436

Trade and bills payables are non-interest-bearing and are normally settled within 1 to 3 months.

(6) Derivative financial instruments

As at 31 December 2019, the Group had interest rate swap agreements with total notional principal amount of approximately USD546,631,000 (equivalent to RMB3,813,407,000) (31 December 2018: approximately USD564,773,000 (equivalent to RMB3,939,969,000)) which will mature in 2031, 2032 and 2033, respectively (31 December 2018: 2031, 2032 and 2033). These interest rate swap agreements are designated as cash flow hedges in respect of the Group's certain portion of bank borrowings with floating interest rates.

During the Reporting Period, the floating interest rates of the bank borrowings were 3-month London Inter-bank Offered Rate ("**LIBOR**") plus 2.20% (31 December 2018: 3-month LIBOR plus 2.20%).

(7) Interest-bearing bank and other borrowings

	2019	2018
	RMB'000	*RMB'000*
Current liabilities		
(i) Bank borrowings		
Secured	**1,298,978**	1,302,590
Unsecured	**5,022,864**	4,361,564
	6,321,842	5,664,154
(ii) Other borrowings		
Unsecured	**2,233,000**	1,372,410
Interest-bearing bank and other borrowings – current portion	**8,554,842**	7,036,564
Non-current liabilities		
(i) Bank borrowings		
Secured	**15,124,697**	15,865,245
Unsecured	**2,057,979**	2,745,280
	17,182,676	18,610,525
(ii) Other borrowings		
Unsecured	**142,850**	175,850
Interest-bearing bank and other borrowings – non-current portion	**17,325,526**	18,786,375

As at 31 December 2019, the Group's interest-bearing bank borrowings were secured by pledges of the Group's 45 (31 December 2018: 44) vessels with total net carrying amount of RMB25,869,196,000 (31 December 2018: RMB25,528,346,000).

As at 31 December 2019, secured bank borrowings of RMB16,274,975,000 (31 December 2018: RMB16,991,135,000) and unsecured bank borrowings of RMB7,080,843,000 (31 December 2018: RMB7,106,844,000) are denominated in USD.

(8) Bonds payable

The movement of the corporate bonds for the year is set out below:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
At the beginning of the year	**3,989,691**	3,985,777
Interest charge	**3,786**	3,914
Less: principal repayment	**(1,500,000)**	–
	2,493,477	3,989,691
Less: current portion	**–**	(1,498,439)
Non-current portion	**2,493,477**	2,491,252

(9) Contingent liabilities

(i) Aquarius LNG Shipping Limited ("**Aquarius LNG**") and Gemini LNG Shipping Limited ("**Gemini LNG**"), and Capricorn LNG Shipping Limited ("**Capricorn LNG**") and Aries LNG Shipping Limited ("**Aries LNG**") are associates of East China LNG Shipping Investment Co., Limited and North China LNG Shipping Investment Co., Limited, (the "**Four Associates**") respectively. Each associate entered into a ship building contract for one LNG vessel. After the completion of each LNG vessel, the Four Associates would, in accordance with time charters agreements to be signed, lease their LNG vessels to the following charterers respectively:

Company name	**Charterer**
Aquarius LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Gemini LNG	Papua New Guinea Liquefied Natural Gas Global Company LDC
Capricorn LNG	Mobil Australia Resources Company Pty Ltd.
Aries LNG	Mobil Australia Resources Company Pty Ltd.

On 15 July 2011, the Company entered into four guaranteed leases (the "**Lease Guarantees**"). According to the Lease Guarantees, the Company irrevocably and unconditionally provided the charterers, successors and transferees of the Four Associates with guarantee (1) for the Four Associates to fulfil their respective obligations under the lease term, and (2) to secure 30% of amounts payable to charterers under lease term.

According to the term of the Lease Guarantees and taking into account the possible increase in the value of the lease commitments and the percentage of shareholdings by the Company in the Four Associates, the amount of lease guaranteed by the Company is limited to USD8,200,000 (equivalent to RMB57,205,000). The guarantee period is limited to the lease period of each LNG vessel leased by the Four Associates.

(ii) At the 2014 seventh Board meeting, the Board approved the ship building contracts, time charter agreements and supplemental construction contract signed by three joint ventures of the Group for the Yamal LNG project (the "**Three Joint Ventures**"). To secure the obligation of the ship building contracts, time charter agreements and supplemental construction contracts, the Company provides corporate guarantees to the shipbuilders, Daewoo Shipbuilding & Marine Engineering Co., Ltd. and DY Maritime Limited for the Three Joint Ventures, and provides owner's guarantees to the charterrer YAMAL Trade Pte. Ltd. for the Three Joint Ventures. Three vessels were delivered in March 2018, October 2018 and August 2019 respectively.

As at 31 December 2019, the Company's guarantee responsibility of the ship building contracts was completely released. The balance of the corporate guarantees of the ship building contracts was 0. And the balance of the owner's guarantees provided to YAMAL Trade Pte. Ltd. was USD6,400,000 (equivalent to approximately RMB44,648,000).

(iii) Subsequent to the approval by shareholders at the annual general meeting held on 8 June 2017, the Company entered into 3 financing guarantees with 2 banks (the "**Banks**"), to the extent of amount of USD377.5 million (equivalent to RMB2,633,516,000), in respect of 50% of the bank borrowings provided by the Banks to each of the Three Joint Ventures and was determined on a pro rata basis of the Company's indirect ownership interest in each of the Three Joint Ventures. The guarantee period provided by the Company for each of the Three Joint Ventures is limited to 12 years after the vessel construction project of each of the Three Joint Ventures is completed.

(iv) COSCO SHIPPING LNG Investment (Shanghai) Co., Limited, a wholly-owned subsidiary of the Company, holds 50% equity interest in each of Arctic Red LNG Shipping Limited, Arctic Orange LNG Shipping Limited, Arctic Yellow LNG Shipping Limited and Arctic Indigo LNG Shipping Limited ("**Four Single-vessel Companies**"). Subsequent to the approval by shareholders at the annual general meeting held on 28 June 2018, the Company provides owner's guarantee for the Four Single-vessel Companies with the amount of Euro4.5 million (equivalent to approximately RMB35,170,000). The guarantee period is limited to the lease period.

(10) Foreign exchange risk management

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States Dollar ("**USD**") and Hong Kong Dollar ("**HKD**") against RMB. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities.

As at 31 December 2019, if USD and HKD had strengthened or weakened by 1% against RMB with all other variables held constant, profit before tax for the Reporting Period would have been RMB23,287,000 higher/lower (31 December 2018: RMB3,907,000 lower/higher), mainly as a result of foreign exchange gains or losses on translation of USD and HKD denominated cash and cash equivalents, receivables, payables and borrowings.

(11) Interest rate risk management

Other than the deposits placed with banks and financial institutions and loan receivables, the Group has no other significant interest-bearing assets. As the average interest rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for these assets held as at 31 December 2019 and 31 December 2018.

The Group's exposures to interest rate risk also arises from its borrowings. Loan receivables and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Management monitors the capital market conditions and certain interest rate swap agreements with banks have been used to achieve an optimal ratio between fixed and floating rates borrowings.

As at 31 December 2019, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the Reporting Period would have been RMB109,969,000 lower/higher (31 December 2018: RMB122,576,000 lower/higher), mainly as a result of higher/lower interest income on loan receivables and interest expenses on borrowings issued at floating rates.

7. Others

Fleet expansion projects

In 2019, the Group achieved further fleet expansion.

In 2019, the cash outflow from investment activities of the Group, including the payments for construction and purchase of new vessels, vessel reconstruction and capital increases (in terms of equity investment and loans) into associates and joint ventures of the Group, was approximately RMB1.422 billion including capital expenditure of approximately RMB1.086 billion paid for the construction and purchase of new vessels.

In terms of fleet expansion, 1 new oil tanker with a total capacity of approximately 114,000 DWT and 9 new jointly-invested LNG vessels with total capacity of approximately 1,550,000 cubic meters were delivered for use in 2019.

On December 31, 2019, the specific composition of the Group's fleet is as follows:

	Vessels in operation			Vessels under construction	
	Number	**DWT/cubic meters** *(0000)*	**Average age**	**Number**	**DWT/cubic meters** *(0000)*
Holding subsidiaries of the Group					
Oil tanker	142	1,925	9.6	17	304.4
LPG carrier	5	1	12.8		
LNG carrier	6	105	2.4		
Sub-total	153	1,926/105	9.4	17	304.4
Long-term charter-in					
Oil tanker	9	246	10.4		
Sub-total	9	246	10.4		
Joint ventures					
Oil tanker	10	62	10.9	3	19.5
LNG carrier	29	485	3.5	3	52.2
Sub-total	39	62/485	5.4	6	19.5/52.2
Total	201	2,234/590	8.7	23	323.9/52.2

8. Outlook and highlights for 2020

(1) Competitive landscape and trends in the industry

International oil shipping market

The demand for international oil shipping is closely related to economic growth and oil supply and demand. At present, the global economy and oil consumption demand are facing challenges due to the COVID-19 outbreak, which is expected to impose negative impact on the global economy and oil consumption. Affected by the sluggish oil demand, the breakdown of negotiation for further output reduction among major oil-producing countries led to a significant increase in oil production. The competition among oil-producing countries has strongly suppressed oil prices, and has also opened up the demand for oil storage in major importers, driving up tanker freight rates. Provided that the major oil-producing countries continue to increase production, the international oil shipping market might see the tanker demand propelled by the increase in cargo volumes in the following period. If oil supply continues to exceed consumption, crude oil inventories are expected to increase; when oil prices restore to a higher level, the oil trade might experience the "de-stocking" phase, which is likely to temporarily weaken the transportation demand.

In the long run, as the global population continues to grow, the economy is expected to stay resilient and the demand for energy consumption will be supported. The non-OECD (Organisation for Economic Co-operation and Development) countries will continue to play the crucial role of driving global economic growth and energy demand growth. In January 2020, the signing of the Phase One trade agreement between China and the US would potentially facilitate energy trade growth, which would probably support the tonne-nautical mile demand in the tanker market.

In terms of tanker supply, the global tanker orderbook is growing at a rational pace, and the delivery of new vessels is expected to slow down significantly in the next two years. Meanwhile, the proportion of older crude tankers remains at a historical high. As at the end of 2019, global VLCCs aged more than 15 years represented approximately 23% of its kind. With the aging of vessels and the deterioration of vessel conditions, potential for demolition remains. Therefore, there is a greater certainty in the deceleration of the net growth in tanker supply.

Despite the temporary suppression of oil consumption caused by the COVID-19 outbreak and the possible increase in volatility of international tanker freight rates resulted from geopolitical incidents, the international oil shipping market is still witnessing the improving supply-demand dynamics.

Domestic oil shipping market

In recent years, the refining and chemical industry in China has undergone significant changes, including elimination of inefficient plants and the strengthening of regulation, resulting in a growing scale of quality and efficient refineries. With further expansion of the refining and petrochemical integration projects, China's refining and petrochemical capacity will be significantly increased, which will fuel the demand for transshipment of imported crude oil and export of refined oil especially supporting the demand for tankers of higher tonnage. With the maintenance and optimization of domestic offshore oil producing platforms and the development of new oil rig projects in the past two years, the output and transportation volume of offshore oil are expected to increase. In terms of crude oil transportation, changes in the transportation volume of pipeline oil will be limited, and that of offshore oil and transshipment oil is generally stable; in terms of product oil transportation, both domestic and international trade transportation volume will benefit from the optimization of refining capacity. In the short term, the COVID-19 outbreak will still have a negative impact on the refinery run rates and domestic demand for oil transportation, but the long-term trend of the domestic crude oil and refined oil transportation market will remain stable and positive.

LNG shipping

The global LNG trade volume is expected to continue its upward trend, with Asia remaining as the main LNG importer and the US shale gas as the key supply driver. As of the end of 2019, the global liquefaction capacity was approximately 432 million tons per annum and is projected to reach nearly 741 million tons per annum by 2024, including the expected increase in production capacity in the United States, Russia and Qatar. China's green development policy will also continue to promote its expansion of LNG imports, and infrastructure construction such as LNG regasification terminals will also provide potential for import growth. However, with the expected slowdown of China's economic growth, China's LNG import growth curve might move along a softer gradient.

In terms of LNG fleet, as at the end of 2019, the world market had 133 LNG carriers under construction (excluding LNG bunkering vessels and LNG floating storage vessels). It is expected that from 2019 to 2024, the global LNG fleet will grow at an average rate of 7.1%, which may lead to a certain level of oversupply in the short term. However, approximately 86% of new LNG carriers will be absorbed by the long-term contracts. Compared with the expected liquefaction capacity growth in the world, LNG vessel supply might still be insufficient in the long run, so that the LNG fleet market and freight rates would be well supported.

(2) Development strategies of the Company

At the start of a new journey, the Group adheres to the vision of "excellent leader in global energy transportation" and the strategic goal of the "four global leading", and encourages diligence and a long-term strategic view to fulfill the mission and responsibilities of national energy transportation. The Group will continue to adopt lean management, upgrade management philosophy and methodologies, and effectively improve corporate management; increase the proportion of LNG transportation business, accelerate the growth of the "second development curve" and construct greater competitive advantages in the future; elevate the role of overseas outlets and further realize globalization, focus on high-quality development, improve profitability and enhance corporate value.

(3) Operational plans

In 2020, the Group expects to have 11 oil tankers delivered, with 1.84 million DWT, and 3 LNG vessels, totalling 522,000 cubic meters (including joint ventures and associates). It is expected that there will be 162 oil tankers in operation during the year, totalling 23.55 million DWT, and 38 LNG vessels, totalling 6.422 million cubic meters (including joint ventures, associates and long-term chartered-in vessels).

According to the conditions of the domestic and international shipping market in 2020, combined with the Group's fleet expansion, the main operating targets of the Group in 2020 are as follows: completing a transportation volume of 549.5 billion tonne-nautical miles, generating an expected operating income of RMB15.5 billion and incurring operating costs of RMB13.0 billion.

(4) Work initiatives of the Company

In the face of the unexpected COVID-19 outbreak, the Group took multiple preventive measures and resumed operation in an orderly manner. In 2020, the Group will firmly adhere to the corporate vision of being an "excellent leader in global energy transportation" with the strategic goal of "four global leading" and comprehensively enhance corporate value through high-quality development. We will focus on the following tasks:

Firstly, build up and enhance globalised cooperation and development. The Company will accelerate the construction of the VLCC pool, launch and operate the pool as soon as possible, and strive to facilitate cooperation with world-class shipping companies in VLCC operation. Besides, the Company will further optimize the combination of shipping routes and customer composition, increase the proportion of tankers on shipping routes across Europe and the Americas; adjust the proportion of long and short voyages with flexibility and capture the market cycle to create value from fluctuations.

Secondly, expand the incremental market and continue to lead the domestic oil transportation market. The Group will leverage the advantages of fleet size and service level to enhance reliability and customer satisfaction, and strengthen good cooperation with major customers. The Group will track the progress of refining and petrochemical integration projects, develop new customers, increase domestic market share, and consolidate the leading position in domestic crude oil and refined oil transportation.

Thirdly,facilitate the LNG shipping projects towards accomplishment enhance LNG ship management competence. The Group will further expand and strengthen the LNG transportation segment, seize the changes in the external environment, promote project accomplishment, and continue to work closely with strategic partners for opportunities to participate in high-quality projects. At the same time, the Group will speed up the construction of its own LNG ship management company mainly focusing on project ship management, cultivate a high-quality LNG shipping talent team, enhance independent LNG ship management capabilities, and promote the "second development curve".

Fourthly, further strengthen cost control and implement lean management. We will make full use of the fleet size to explore the advantages of centralized procurement. The Company will closely monitor and study the fuel market, strengthen research and analysis, and properly carry out fuel procurement. The Company will review and improve the management process and measures for the use of low sulfur fuel oil, formulate a refined management mechanism for fuel consumption and efficiency of vessels.

Fifthly, continue to strengthen safety management under the guidance of the "global leading safety marketing" strategy. The Company will pay more attention to safety work at the base level, enhance management and elevate standards, strengthen the pre-control management and process control, and continue to optimize the "three-in-one" safety management model and the "united high-level" fleet management system.

Sixthly, build a highly qualified talent team. The Company will continue to empower all kinds of talents with the "5 + N" precise training, invite international partners to engage in communications and implement overseas talent training programs to cultivate international operation and management talents. The Company adheres to the combination of internal training and market-oriented recruitment to promote the value of human capital of the Company.

Seventhly, improve information technology management and construct the digital platform for energy industry. The Company actively adapts to the needs of information society development, strengthens the idea of "promoting reform through digitalization", and upgrade corporate management through digital transformation. The Company will increase the budget for information construction, and strive to achieve the implementation of digital energy planning.

Eighthly, focus on environmental, social and governance ("**ESG**") practice and promote sustainable development. The Company will introduce public interests into our value system, establish the ESG cognition framework, and promote sustainable development of the Company by focusing on the values and behaviors in the development of the Company, so as to jointly enhance the corporate value and social value.

9. Other significant events

(1) Results, dividends and closure of the H Share register

The Company will separately announce the arrangement in relation to the closure of the H share register of members of the Company and the annual general meeting of the Company in due course. The final dividend will be distributed within two months from the date of approval by the forthcoming annual general meeting.

(2) Medical insurance scheme

As required by the regulations of the PRC local government effective from 1 July 2001, the Company participates in a defined contribution medical insurance scheme organised by PRC social security authorities. Under the scheme, the Company is required to make monthly contributions at the rate of 12% of the total basic salaries of the employees. In addition, pursuant to the aforementioned regulations, the contributions are accounted for as staff welfare payables accrued by the Company. The Company has no obligation for the payment of medical benefits beyond such contributions to the registered insurance companies.

Since 1 July 2010, the Company has developed a defined medical insurance scheme according to advocacy by the State for the establishment of a multi-level enterprise medical security system and of the "Notice on Enterprise Income Tax Policies Relating to Defined Contribution Retirement Insurance and Defined Medical Insurance" (CaiShui 2009 No. 27). Under the scheme, the Company shall make a provision of 5% of the total salary of employees, which shall be deposited into a special account for defined medical insurance fund.

(3) Pension and Enterprise annuity schemes

(i) PRC (other than Hong Kong)

Pension scheme

The Group is required to contribute to a pension scheme (the "**Scheme**") for its eligible employees. Under the Scheme, the Group´s retirement benefit obligations to its existing retired and future retiring employees except for the medical expenses to retired employees, are limited to its annual contributions equivalent to the range of 19% to 20% (2018: 19% to 20%) of the basic salaries of the Group's employees. Contributions made by the Group to the Scheme for the Reporting Period amounted to RMB33,024,000 (2018: RMB37,767,000).

Enterprise annuity scheme

In 2008, the representatives of the Group's Labour Union and the Board resolved to approve and adopt an enterprise annuity scheme. From 1 February 2018, pursuant to the annuity scheme the employer's contributions will be 8% of the total staff costs of the previous year. The employees' contributions will be 2% of their income from the previous year and the employer's contributions for the management staff should not be five times more than the staff average.

The enterprise annuity scheme became effective on 1 January 2008. Under the scheme, actual amount incurred as labour cost in 2019 amounted to RMB31,576,000 (2018: RMB15,680,000).

The Group has no further obligations beyond the annual contributions. In the opinion of the Directors, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

(ii) Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000 effective as on 1 June 2014. Contributions to the MPF Scheme vest immediately. Contributions made by the Group to the MPF Scheme for the Reporting Period amounted to RMB220,000 (2018: RMB229,000).

(4) Incentive Scheme

On 17 December 2018, an A share option incentive scheme (the "**Incentive Scheme**") was approved by shareholders at the extraordinary general meeting and class meetings of, and adopted by, the Company. On 27 December 2018, pursuant to the authorisation granted by shareholders, the Board approved the grant of 35,460,000 share options to 133 participants.

As of 31 December 2019, 12 participants with a total of 3.74 million share options were invalid due to retirement, resignation, etc., and the number of participants of the Incentive Scheme was adjusted to 121 from 133, the number of share options was adjusted to 31,720,000 from 35,460,000. Due to the payment of the Company's final dividend before option exercise, a cash dividend of RMB0.02 per share was distributed to holders of the A shares on June 27, 2019 as the date of record, the exercise price of the share options granted to the participants under the Incentive Scheme has been adjusted accordingly from RMB6.00 per share to RMB5.98 per share. Relevant issues have been reviewed and approved by the Company's second Board meeting in 2020.

(5) Directors', Supervisors' and chief executives' interests and short positions in shares, underlying shares or debentures of the Company

As at 31 December 2019, the Directors, Supervisors and chief executive(s) of the Company who had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules")** were as follows:

(i) Long positions in the shares, underlying shares or debentures of the Company

Name of Director	Class of shares[1]	Number of shares held[2]	Approximate percentage of the total number of shares of the relevant class	Approximate percentage of the total number of issued shares
Liu Hanbo ("**Mr. Liu**")[3]	A	475,000(L)	0.02%	0.01%
Zhu Maijin ("**Mr. Zhu**")[4]	A	416,000(L)	0.02%	0.01%

Notes:

(1) A – A Shares

(2) L – Long position

(3) This represents Mr. Liu's entitlement to purchase up to 475,000 shares of the Company pursuant to the exercise of 475,000 share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

(4) This represents Mr. Zhu's entitlement to purchase up to 416,000 shares of the Company pursuant to the exercise of 416,000 share options granted to him on 27 December 2018 under the Incentive Scheme, subject to fulfillment of the conditions of exercise of those share options.

(ii) Long positions in the shares, underlying shares or debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Nature of interest	Class of shares	Number of shares held	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation	Approximate percentage of the total number of issued shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. Feng Boming	Interest of spouse	A	530,000(L)	0.00548%	0.00432%
	Mr. Teo Siong Seng	Beneficial owner	H	161,000(L)	0.00624%	0.00131%
	Mr. Yang Lei	Beneficial owner	H	28,000(L)	0.00109%	0.00023%
COSCO SHIPPING Development Co., Ltd.	Mr. Feng Boming	Beneficial owner	A	29,100(L)	0.00037%	0.00025%
	Mr. Teo Siong Seng	Beneficial owner	H	200,000(L)	0.00544%	0.00172%
	Mr. Yang Lei	Beneficial owner	H	213,000(L)	0.00579%	0.00183%
COSCO SHIPPING Ports Limited	Mr. Zhang Wei	Beneficial owner	Ordinary shares	30,000(L)	0.00095%	0.00095%
	Mr. Yang Lei	Beneficial owner	Ordinary shares	26,597(L)	0.00084%	0.00084%
COSCO SHIPPING International (Hong Kong) Co., Ltd.	Mr. Yang Lei	Beneficial owner	Ordinary shares	660,000(L)	0.04305%	0.04305%

Notes: A – A Shares
H – H Shares
L – Long position

As at 31 December 2019, save as disclosed above, none of the Directors, Supervisors and chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(6) Purchase, sale or redemption of the Company's listed securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

(7) Compliance with the Corporate Governance Code

The Board is committed to the principles of corporate governance for a value-driven management that is focused on enhancing shareholders' value. In order to enhance independence, accountability and responsibility, the posts of chairman of the Board and the chief executive officer are assumed by different individuals so as to maintain independence and balanced views.

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019.

As provided for in code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Feng Boming, Mr. Zhang Wei, and Ms. Lin Honghua, each a non-executive director, and Mr. Ip Sing Chi, Mr. Teo Siong Seng, each an independent non-executive Director, were unable to attend the annual general meeting held on 10 June 2019 ("**2019 AGM**") due to prior commitments. In addition to the 2019 AGM, Mr. Feng Boming, Mr. Zhang Wei, and Ms. Lin Honghua, each a non-executive director, and Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng, each an independent non-executive Director were unable to attend the first extraordinary general meeting held on 26 July 2019 and the second extraordinary general meeting held on 17 December 2019 due to prior commitments.

The Company will keep its corporate governance practices under continuous review to ensure their consistent application and will continue to improve its practices having regard to the latest developments including any new amendments to the Corporate Governance Code.

The Company has established five professional committees under the Board, namely the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee, the Nomination Committee and the Risk Control Committee, with defined terms of reference.

(8) Audit Committee

The Company has established an audit committee to review the financial reporting procedures and internal control and to provide guidance thereto. The audit committee of the Company comprises three independent non-executive Directors.

The audit committee of the Company has reviewed the annual results of the Company for the Reporting Period.

(9) Remuneration and Appraisal Committee

The remuneration and appraisal committee of the Company comprises four independent non-executive Directors. The remuneration and appraisal committee of the Company has adopted terms of reference which are in line with the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

(10) Compliance with the Model Code as set out in Appendix 10 to the Listing Rules

The Company has adopted a code of conduct regarding Directors' securities transactions in accordance with the required standard set out in the Model Code.

Following specific enquiries made with the Directors, supervisors and chief executives of the Company, the Company confirms that each of them has complied with the Model Code during the Reporting Period.

(11) Employees

The adjustments of employee remuneration is calculated in accordance with the Company's turnover and profitability and is determined by assessing the correlation between the total salary paid and the economic efficiency of the Company. Under this mechanism, management of employees' remuneration will be more efficient while employees will be motivated to work hard to bring encouraging results for the Company. Save for the remuneration policy disclosed above and the Incentive Scheme, the Company does not maintain any other share option scheme for its employees and the employees do not receive any bonus. The Company regularly provides its operational management personnel with training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. Such training may be in different forms, such as seminars, site visits and study tours.

As at 31 December 2019, the Company had 6,929 (31 December 2018: 6,854) employees. During the Reporting Period, the total staff costs was approximately RMB2,547 million (2018: approximately RMB2,153 million).

(12) Publication of annual results on the website of the Stock Exchange

An annual report of the Company containing all the financial and relevant information as required under the Listing Rules will be posted on the website of the Stock Exchange in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2019 and 2018, but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the HKICPA. Those consolidated financial statements for the Reporting Period, which will contain an unqualified auditors' report, will be delivered to the Companies Registry of Hong Kong, and delivered to shareholders as well as made available on the Company's website at http://energy.coscoshipping.com.

By order of the Board
COSCO SHIPPING Energy Transportation Co., Ltd.
Liu Hanbo
Chairman

Shanghai, People's Republic of China
30 March 2020

As at the date of this announcement, the Board comprises Mr. Liu Hanbo and Mr. Zhu Maijin as executive Directors, Mr. Feng Boming, Mr. Zhang Wei and Ms. Lin Honghua as non-executive Directors, Mr. Ruan Yongping, Mr. Ip Sing Chi, Mr. Rui Meng and Mr. Teo Siong Seng as independent non-executive Directors.

* *For identification purposes only*